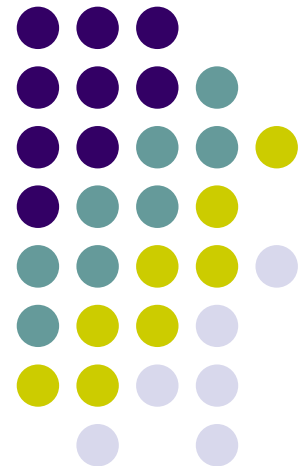


# **GASB Statements 45 & 43 on Accounting for OPEB**

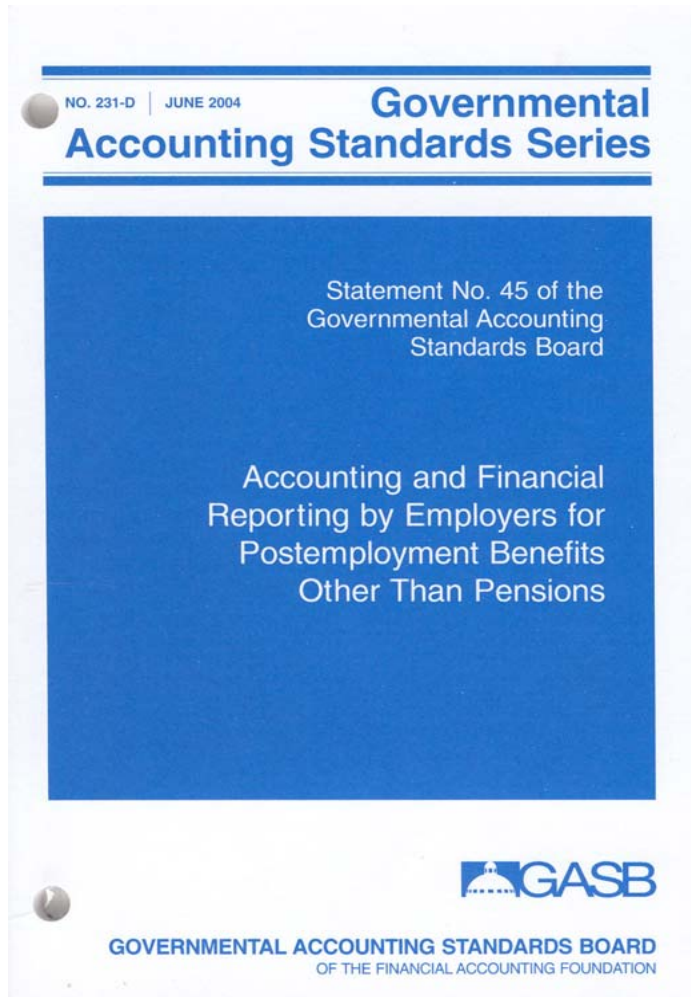
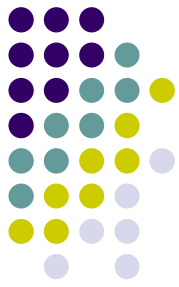
**Karl Johnson  
Project Manager  
Governmental Accounting Standards Board  
Norwalk, CT**

**Videoconference  
State of Hawaii  
November 17, 2005**

The views expressed are those of the speaker and are not official representations of the Governmental Accounting Standards Board, which expresses itself through written pronouncements issued after extensive due process.



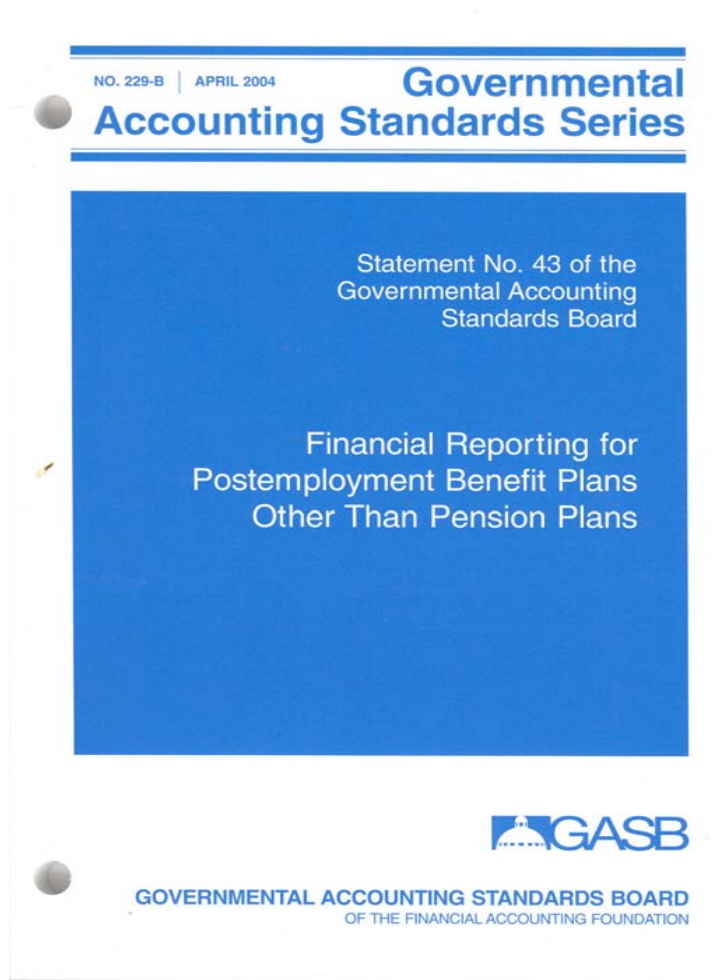
# Statement 45 (for Employers)



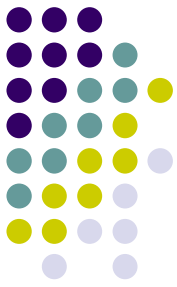
- Subject: **accounting and reporting by employers for their OPEB expenses and obligations**
- Applies to all employers that provide OPEB (that is, the employer pays all or part of the cost of the benefits, including implicit rate subsidies)—for example, the State of Hawaii and Hawaiian counties
- Requires accrual-basis accounting for expense and measurement and disclosure of funded status (UAAL)



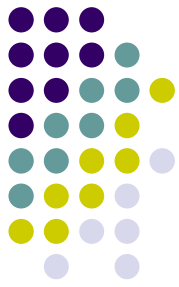
# Statement 43 (for Plans)



- Subject: **reporting on stewardship of plan assets** by (a) a trustee or plan administrator that is a governmental entity (stand-alone plan reporting) or (b) an employer or plan sponsor with a fiduciary responsibility for the plan assets that includes the plan as a trust or agency fund in its own financial report—for example, if the State of Hawaii includes the EUTF as a trust fund in the State's CAFR
- Includes provisions for reporting of (a) plans administered as trusts and (b) multiple-employer plans that are not administered as trusts



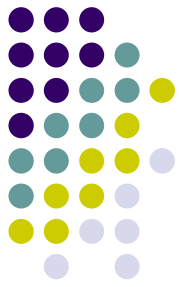
# Definition of Terms—As Used in GASB Statements



# “Postemployment Benefits” (Pension Benefits and “Other”)

- “**Postemployment benefits**”—benefits provided at or after separation from employment **as part of the total compensation for services**, including:
  - **Pension benefits**—
    - **Retirement income**
    - Other benefits (except postemployment healthcare) if provided *through* a defined benefit pension plan
  - **Other postemployment benefits (OPEB)**—
    - **Postemployment healthcare benefits**
    - Other forms (for example, life insurance) if provided *separately from* a defined benefit pension plan

# OPEB “Plan”—Predominant Meanings in Statements 45 and 43



- In Statement 45 (employer reporting):
  - “Plan” *usually* refers to an employer’s substantive commitment or agreement to provide benefits that meet the definition of OPEB
- In Statement 43 (plan reporting):
  - “Plan” *usually* refers to a trust or agency fund used to administer the financing of OPEB and the payment of benefits—that is, to **assets under the stewardship** of an administering entity with *accountability for its exercise of stewardship*

*Consider the context to help ascertain the intended meaning in each particular usage of the term.*



# Defined Benefit OPEB Plan

- An OPEB plan that has terms that specify **the amount of benefits to be provided at or after separation from employment** \*
- Benefits may be specified:
  - **In dollars** (e.g., a flat dollar payment or an amount derived from one or more factors such as age, years of service, or salary level), *or*
  - **In terms of a type or level of coverage** (e.g., medical, hospitalization, prescription drugs, or a percentage of health insurance premiums)

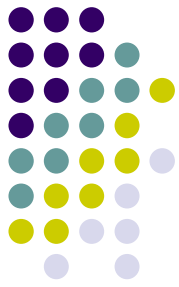
\* In contrast to a **defined contribution plan**, in which the plan terms define only the amounts to be contributed or credited to individual employee accounts during active employment

# Types of Defined Benefit Plans and Employers



- **Single employer plan**—one that covers the employees and retirees of one employer (**sole employer**)
- **Multiple-employer plan**—one that covers the employees and retirees of more than one employer; further classified as:
  - **Cost-sharing plan**—one in which all benefit obligations and assets are pooled, and amounts contributed to the plan by any employer (**cost-sharing employer**) may be used to pay any member's benefits, interchangeably
  - **Agent plan**—in essence a collection of single-employer plans with combined administrative functions for efficiency, in which each employer (**agent employer**) remains individually responsible for financing the benefits of its own employees and retirees





# **Concerning Scope: Not All Benefits Are OPEB**

# Reporting Pension Benefits and OPEB: Applicable Standards



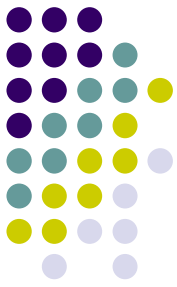
- **Pension benefits?** Statement 27
- **Retiree healthcare benefits?** Statement 45
- **Retiree healthcare benefits through a DB pension plan?** Two benefits, DB pension benefit (Statement 27) and OPEB (Statement 45)
- **Postemployment benefits *other than* retirement income (pensions) or retiree healthcare (life insurance or long-term disability)?** If through a DB pension plan, report as pension benefits (Statement 27); if provided separately, report as OPEB (Statement 45)



# Reporting Active and Retiree Healthcare Benefits Provided Through the Same Plan\*

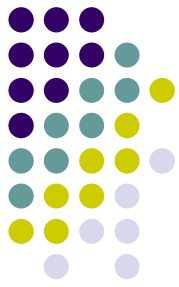
- Employer (and plan) should **separate the two benefits for accounting purposes**
- Employer should report **retiree** healthcare benefits as OPEB under **Statement 45** (and plan administrator should report the OPEB plan in conformity with **Statement 43**)
- Employer (and plan) should report **active-employee** healthcare benefits as risk financing in conformity with **Statement 10**, as amended

\* For example, EUTF

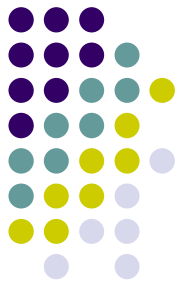


# **Statement 45: Concepts, Objectives, and Overall Measurement Approach**

# Postemployment Benefits: Substance of the Transaction



- Postemployment benefits (pensions and OPEB) are part of the **compensation for services** rendered by employees; they are part of an **exchange transaction** between employer and employees
- Benefits are “earned,” and obligations accrue or accumulate, **during employment**, but benefits are not taken until after employment (potentially long time lag between incurring and paying the obligation)
- The (accrual-basis) cost of benefits for a period is **part of the total cost of government services** for that period, whether or not the employer chooses to fund it concurrently



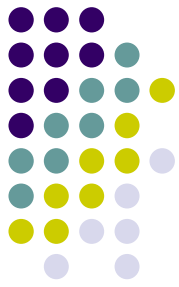
# **Accounting by Employers in Single-Employer and Agent Defined Benefit OPEB Plans**



# Sole and Agent Employers

- Sole and agent employers share the same accounting requirements, because in both cases an employer is **individually responsible** to pay for benefits promised to its own employees and retirees
- Accordingly, separate actuarial valuations are required for each employer's individual plan, and each employer's costs and obligations are measured and reported based on the results of the valuations\*
- If an agent multiple-employer plan is administered by a governmental entity and reports under Statement 43, actuarial information at the plan (administrative) level is obtained by rolling up the results of the individual employer valuations

\* In contrast, actuarial information related to cost-sharing plans is developed and reported for the plan as a whole under the requirements of Statement 43, and the measurement of cost-sharing employers' OPEB expense and liabilities under Statement 45 is based on employers' *contractually required contributions* to the plan

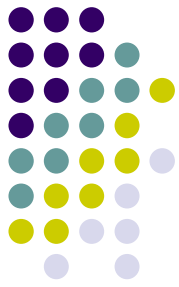


# Financial Reporting Objectives of Statement 45

- **Recognize OPEB cost (expense) systematically over periods approximating employees' years of service\***
- Provide relevant information about:
  - **Actuarial accrued liabilities** for promised benefits associated with past service
  - The **annual cost of OPEB** —and its effect on the total **cost of government services**
  - The **progress made in funding the plan**

\* Essentially, Statement 45 requires a **change** from “**pay-as-you-go**” (**cash- or near cash-basis**) **accounting** for OPEB—in which expense is recognized, not when a liability is incurred, but when the liability finally is paid (often by future taxpayers many years later)—to **accrual-basis accounting**



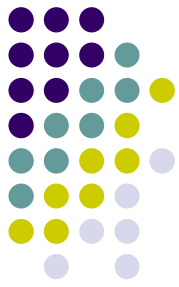


# Overall Approach Chosen

- Account for OPEB following the **same overall approach adopted in GASB Statement 27\*** for employers' accounting for pension benefits, to achieve a **consistent approach to accounting for all postemployment benefits** offered by state and local governments
- \* The Board concluded that a consistent overall approach is appropriate, because pension benefits and OPEB are conceptually similar. However, some specific differences between the two sets of standards were adopted as needed to address differences between pension benefits and OPEB.

# GASB 25/27

## Measurement Approach



- Harmonizes accounting requirements with funding concepts and methods to the maximum extent appropriate for accrual accounting purposes
- Although OPEB plans generally are not funded, this approach still is “funding friendly” for OPEB, because an employer that chooses to fund (now or later) need not use different measures for accounting and funding purposes\*

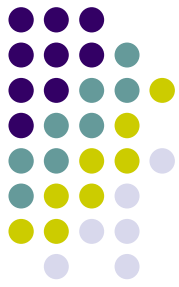
\* ***Important:*** Note that Statement 45 does **not** include any requirement with respect to an employer’s ***method of financing OPEB***; for example, it does **not require** that an employer ***fund the benefits*** using the actuarial methods required ***for accounting purposes***



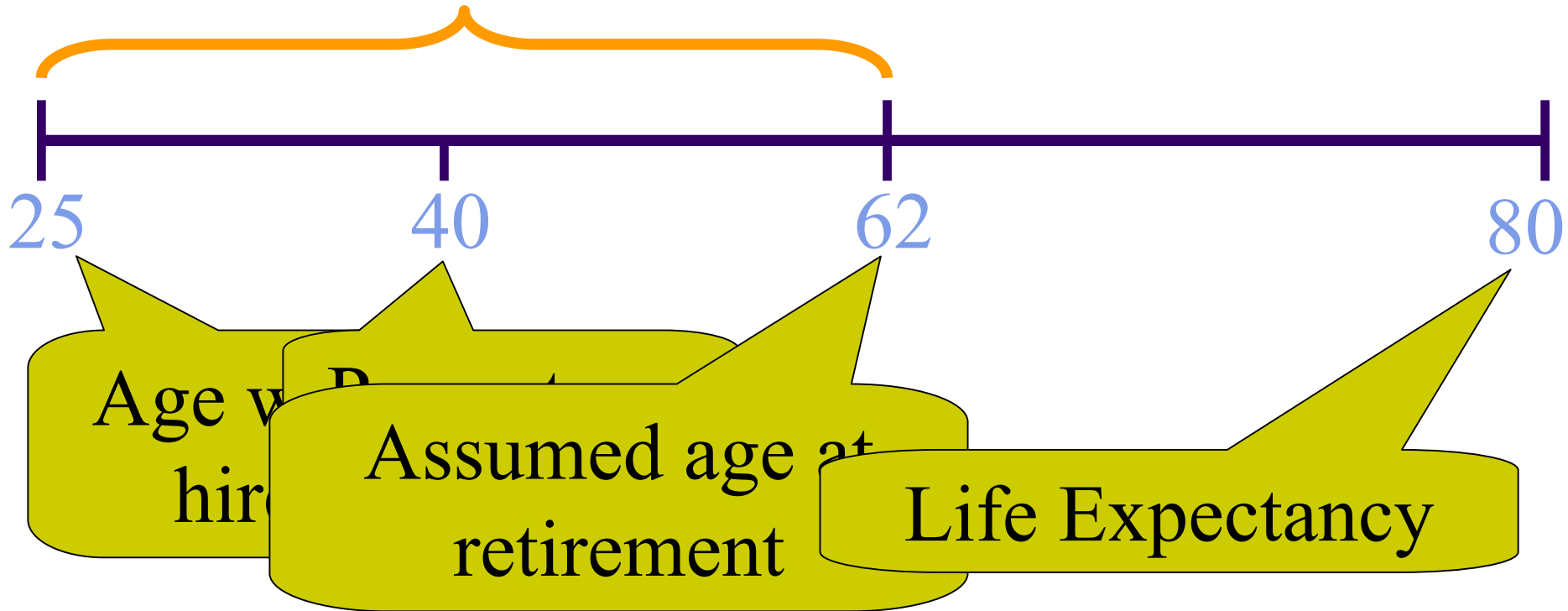
# Measurement Approach: Broad Steps

1. Project cash outflows for benefits
2. Discount projected benefits to present value (PV)
3. Allocate the PV of projected benefits to periods using an acceptable actuarial cost method

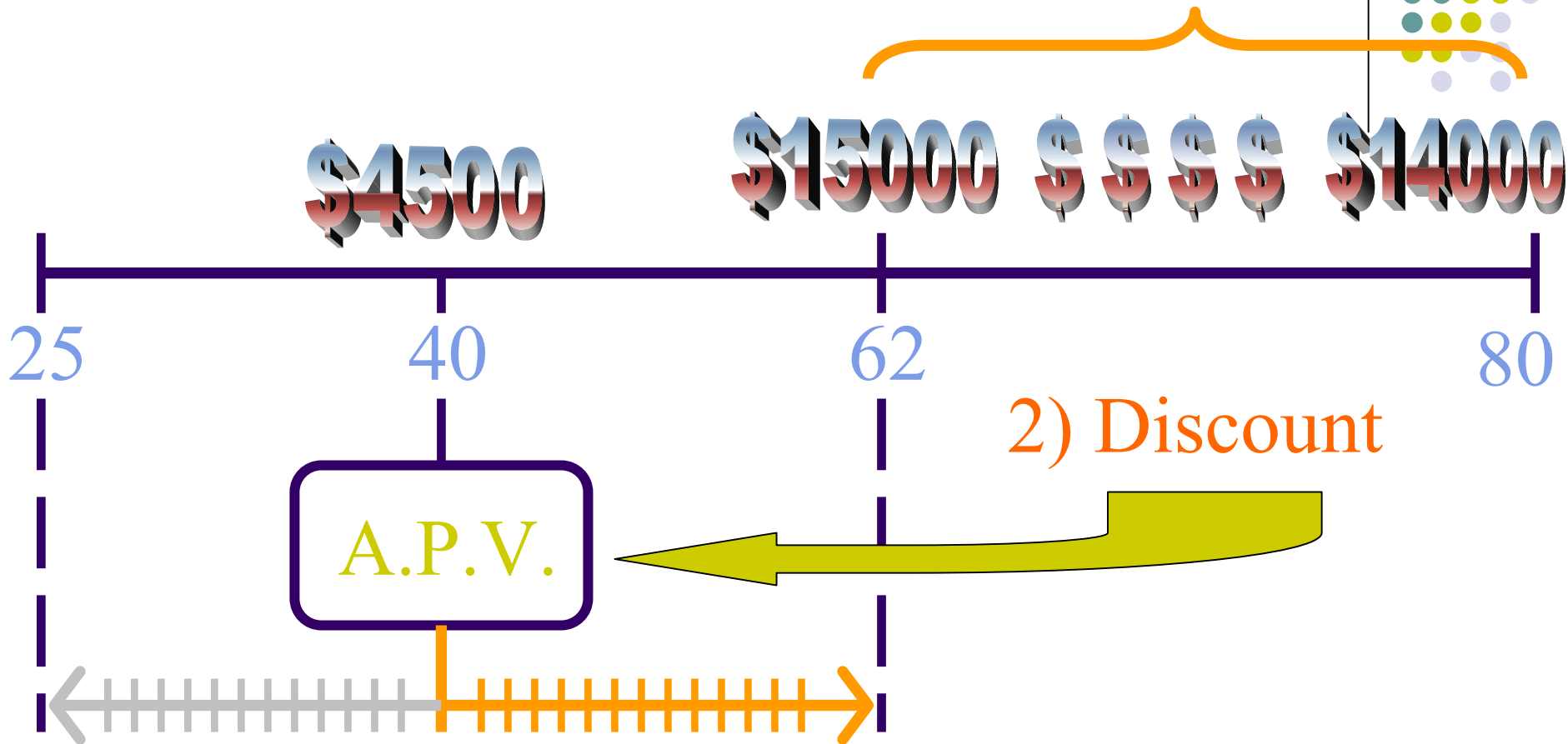
# Employee Age Timeline



Service Period

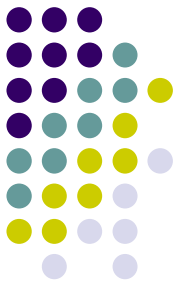


# 1) Project Benefits



## 2) Discount

## 3) Actuarial cost method

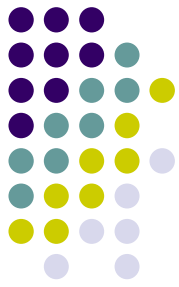


# **Specific Measurement Requirements (Highlighting Some Key Parameters)**

# Required Frequency of Actuarial Valuations



- An OPEB plan with a **total plan membership** (active, terminated/eligible, and retired and currently receiving benefits) of **200 or more** (for example, Hawaii's OPEB plan) generally should obtain **actuarial valuations** at least **biennially**
- An AV should be obtained ahead of schedule if significant changes have occurred since the previous AV that affect the results—for example, significant:
  - Changes in benefit terms
  - Changes in size or composition of plan membership
  - Other changes that affect long-term actuarial assumptions

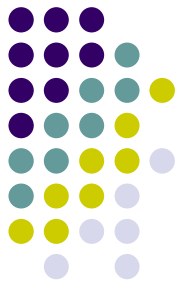


# The Substantive Plan

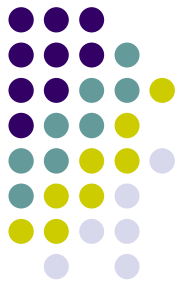
- Benefits should be projected based on the current **substantive plan** (the plan as understood by the employer and plan members), including changes made and communicated to plan members, at the time of the actuarial valuation and (or including) the **historical pattern of sharing of costs** between employer and plan members to that point
- *Anticipated future changes* in plan design should not be included in the projection of benefits
- A legal or contractual **benefit cap** (as distinguished from a **cap on contributions**), should be considered in the projection of benefits *if the cap is deemed effective*



# Separate Accounting Required for Retiree and Active Healthcare Benefits



- If healthcare benefits are provided to both active employees and retirees through the same group (as in the EUTF plan), the two benefits should be separated for accounting purposes
- The employer's share of the cost of providing retiree healthcare coverage in the current period is the difference between (a) the **claims costs**, or **age-adjusted premiums** approximating claims costs, for retirees in the group and (b) the **amounts paid by the retirees**
- The employer's contribution includes **"implicit rate subsidies"** that the employer provides to retirees by permitting them to continue participating in the healthcare plan at a price less than the cost of coverage (for example, by paying the blended premium rate)



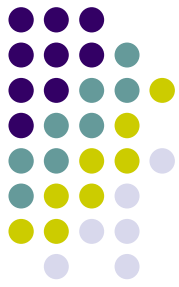
# Selection of a Discount Rate

- The discount rate, for calculating the present value of projected benefits, should be **the estimated long-term yield on the investments expected to be used to finance the payment of benefits**
- The relevant investments might be **plan investments, unrestricted employer investments, or a proportionate combination** of the two—depending on the method of financing
- The discount rate for **unfunded plans (pay-as-you-go)** could tend to be **lower** than the discount rate for funded plans, because investment policies and options for investment of employer assets tend to be more restrictive; thus, a PAYG employer generally will get less help from investment yield in paying promised benefits
- A lower discount rate generally will result in a higher UAAL, ARC, annual OPEB cost, and net OPEB obligation

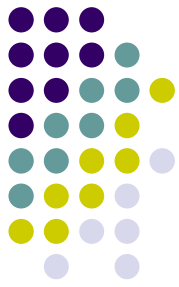


# Key OPEB Measures

# Annual Required Contribution of the Employer (the ARC)



- Is a key measure derived from the actuarial valuation that is **used in Statement 45** (as in Statement 27) **as the basis for OPEB expense recognition**
  - Includes two components:
    - ♦ The **normal cost (service cost)** for the year (the portion of the actuarial present value of projected benefits assigned to the current year by the actuarial cost method)
    - ♦ A **provision to amortize the unfunded actuarial accrued liability (UAAL)** over an acceptable number of years\*
- \* The total UAAL may be amortized as an aggregate amount, or components may be amortized separately provided that the *equivalent single amortization period* does not exceed 30 years



# Annual OPEB Cost

- Is an accrual-basis measure of the periodic cost to the employer of providing defined-benefit OPEB
- Is derived from the ARC (with required adjustments in some circumstances)
- Is the amount recognized as **OPEB expense** for the period in financial statements prepared on the accrual basis of accounting\*, *regardless of the amount paid*

## ***Debits and credits:***

The cumulative difference between **amounts expensed** and actual **contributions made** (for example, by the State to EUTF) will create a financial-statement **liability** (or asset) called the **net OPEB obligation** (or net OPEB asset)

- \* These include government-wide, proprietary fund, and fiduciary fund financial statements

# When Has an Employer Contributed to an OPEB Plan?



For accounting purposes, an employer is deemed to have contributed to an OPEB plan *if, and only if*, the employer:

- Made direct payments of benefits,
- Paid insurance premiums, *or*
- (a) **Irrevocably transferred assets** to a (b) **qualifying trust, or equivalent arrangement\*** in which the (c) **assets are dedicated to payment of plan benefits** as they come due in the future and are (d) **protected from creditors** of the employer(s) and the plan administrator

\* That is, effectively, to a trustee entity legally separate from the employer(s)—which could include either a situation in which plan assets are held and administered in trust by the State and included in the State's CAFR (for example, EUTF) or a situation in which the plan assets are held and administered in trust by another entity

# When Has an Employer *Not Contributed* to an OPEB Plan?



An employer should treat as **employer assets** (not plan assets):

- Assets earmarked in some fashion in the employer's governmental or proprietary funds (these remain employer assets that the employer *presently intends* to apply to OPEB contributions *in the future*)
- Assets transferred to a multiple-employer plan in excess of pay-as-you-go requirements, if the plan is not administered as a qualifying trust or equivalent arrangement

# Accrual-Basis Illustration (Year 2 of Applying Statement 45)

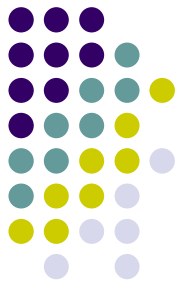


Normal cost (current service cost)	\$ 350,000
Amortization of the UAAL (for past periods)	<u>600,000</u>
<b>Annual required contribution (ARC)*</b>	<b>950,000</b>
Interest on beginning net OPEB obligation*	50,000
ARC adjustment*	<u>(58,500)</u>
<b>Annual OPEB cost* = expense</b>	<b>941,500</b>
Actual employer contribution* (PAYG method of financing)	<u>(250,000)</u>
Increase in net OPEB obligation*	691,500
<b>Net OPEB obligation—beginning*</b>	<b><u>650,000</u></b>
<b>Net OPEB obligation—ending*</b>	<b><u>1,341,500</u></b>

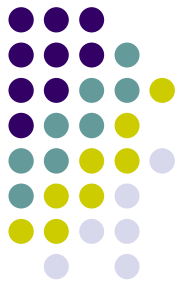
- \* The ARC, the annual OPEB cost and its components, actual employer contributions, and changes in the net OPEB obligation are required to be disclosed in the employer's notes to the financial statements.



# Comments re: Indicators Illustrated in the Preceding Slide



- Besides its use in measurement of annual OPEB cost, **the ARC** is the amount that an employer *would contribute* (pay) to the plan *if the employer chose to fund* using Statement 45 measures
- **The ARC expressed as a percentage of covered payroll** represents the level of employer contribution effort that would be needed on a sustained, consistent basis to cover normal cost and amortize the UAAL over not more than 30 years:
  - An indicator of the “size” of the employer’s commitment, expressed in terms of the ongoing contribution effort required to sustain it
  - An indicator of potential long-term demands on future cash flows
- The **net OPEB obligation** (cumulative difference between amounts expensed and paid) indicates whether since implementation of Statement 45 an employer has contributed less (more) than the ARC



# **Additional Note Disclosures and RSI**

- Funded Status**
- Employer Contribution Effort**

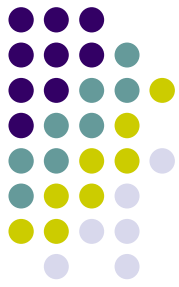
# Disclosure of Funded Status and Funding Progress Information



Employers also will be required to *disclose* the **funded status** of the benefits as of the most recent valuation and to *present as RSI* **multi-year trend information about funding progress**, including the following information:

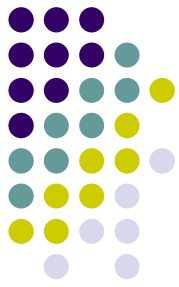
- ♦ **Actuarial accrued liability (AAL)**
- ♦ **Actuarial value of plan assets**
- ♦ **Unfunded actuarial accrued liability (UAAL)** (AAL minus plan assets)
- ♦ **Funded ratio** (actuarial value of plan assets/AAL)
- ♦ **Ratio of UAAL to covered payroll**
- ♦ *Notes to RSI* regarding changes affecting the interpretation of trends in the amounts reported

# Illustration of Funded Status Information



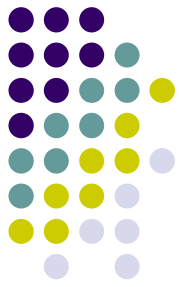
	Govt. A Unfunded <u>(PAYG)</u>	Govt. B Partially <u>Funded</u>
Actuarial accrued liabilities (AAL) (a)	\$13,500,000	\$13,500,000
Actuarial value of plan assets (b)	<u>-0--</u>	<u>9,000,000</u>
<b>Unfunded actuarial accrued liabilities (UAAL) (a-b)</b>	<b><u>13,500,000</u></b>	<b><u>4,500,000</u></b>
<b>Funded ratio (b/a)</b>	<b><u>0.0%</u></b>	<b><u>66.7%</u></b>
Covered payroll (c)	<u>\$7,600,000</u>	<u>\$7,600,000</u>
<b>UAAL as a % of covered payroll (a-b/c)</b>	<b><u>177.6%</u></b>	<b><u>59.2%</u></b>

# Comments re: Information Illustrated in the Preceding Slide



- The **unfunded actuarial accrued liability (UAAL)**:
  - Is the portion of the present value of projected benefits attributed to past periods
  - Is a measure of the value of employee services that were received by the employer and taxpayers in past periods but not paid for (paid or funded)
- Other things being equal, the higher the UAAL, the higher will be the amortization component of the ARC, the ARC, and the annual OPEB cost/expense going forward

# Disclosure of Actual Employer Contributions as a Percentage of Annual OPEB Cost



- A key factor affecting the funded status of the benefits is the **level of employer contributions**
- To provide information about that, employers should disclose for each of the past three years the annual OPEB cost, **the percentage of annual OPEB cost actually contributed**, and the ending net OPEB obligation

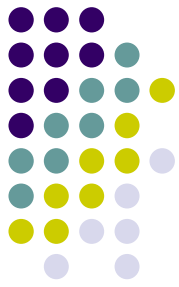
---

## Comment

The **percentage of annual OPEB cost contributed** (or, alternatively, **annual OPEB cost as a multiple of the amount contributed**) indicates the extent to which an employer is paying less than the annual cost of the **benefits**—which results in increasing the UAAL and potential future cash-flow demands



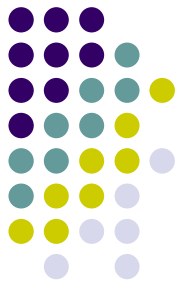
# **Statement 45: Additional Topics**



# Cost-Sharing Employers

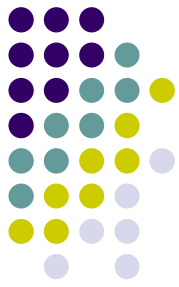


# Why is the Accounting for a Cost-Sharing Employer Different from that for an Agent Employer?



- Unlike agent employers, which remain individually responsible to pay for their own respective benefit promises, **the employers in a cost-sharing plan pool benefit costs, obligations, and assets, creating a single plan for actuarial measurement purposes and accounting purposes**
- The responsibility for funding benefits is transferred to the plan trustees, who in exchange bill the employers for payment of their **contractually required contributions** (determined in accordance with the laws or agreements governing the plan) to finance benefits and administrative costs

# Accounting by Employers in a Cost-Sharing OPEB Plan



- An employer in a **cost-sharing plan that meets the requirements of par. 22a of Statement 45** should measure expense/expenditures and liabilities based on its **contractually required contributions** to the plan
- To qualify as a cost-sharing plan for accounting purposes, a plan must not only be one in intent but also be structured in a way that makes pooling of assets and sharing of benefit costs possible; i.e.:
  - The plan is administered as a trust, or equivalent arrangement (if such exists; staff knows of nothing equivalent to a trust that is not a trust)
  - Employer contributions to the plan are irrevocable
  - Plan assets are dedicated solely to providing benefits
  - Plan assets are protected from creditors of the employers and administrator

# Accounting by Employers in a Cost-Sharing OPEB Plan (cont.)

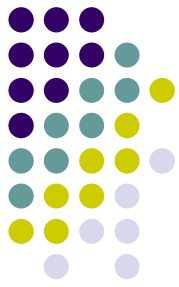


- If a cost-sharing plan in which an employer participates *does not issue financial statements and RSI in conformity with Statement 43*, the employer is subject to a requirement to include the RSI in its own report (that is, actuarial information about the plan is required to be developed and reported one way or another)
- An employer in a multiple-employer plan that **does not meet the preceding conditions** should follow the requirements of Statement 45 applicable to an **agent employer** (and Statement 43 requires that the administrator report such a plan as an agency fund)
- Practice developments associated with the formation and use of cost-sharing plans will be monitored—and this could be one of the first areas reconsidered for amendment if it is observed that such structures are being used principally to avoid or diminish accountability



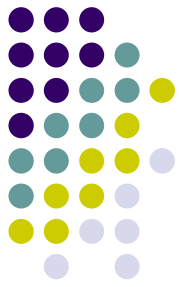
# **Employers with a Defined Contribution Plan**

# Accounting by an Employer with a Defined Contribution Plan



- An employer with a defined contribution plan should recognize expense and liability based on its defined contributions to the plan
- As defined in par. 5 of Statement 45, a **defined contribution plan** is one in which the following conditions exist:
  - Each member has an **individual account**
  - The plan terms specify **how contributions to an active member's account shall be determined**, rather than the benefits to be provided after retirement
  - Benefits are a function solely of the amounts contributed prior to retirement and earnings on investment of account assets

# Accounting by an Employer with a Defined Contribution Plan (Q&A)



## Question

An employer commits to contribute \$300 per month toward the cost of retirees' health premiums in retirement. Is that a defined contribution OPEB plan?

## Answer

No. It is a defined benefit OPEB plan, in which the benefits to be provided after retirement are defined in dollars rather than in kind. (Note that the arrangement has ***none*** of the characteristics of a defined contribution plan.)



# **Plan Financial Reporting (Statement 43—Overview)**

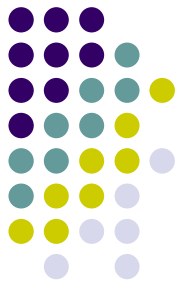
# Defined Benefit Plan Administrative Structures for Which Statement 43 Provides Financial Reporting Standards



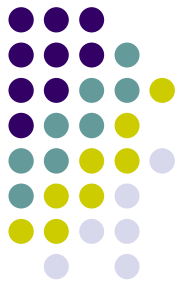
- **Defined benefit plans that are administered as qualifying trusts, or equivalent arrangements (par. 16-40)**
  - The financial reporting framework and standards are similar to those for defined contribution pension plans in Statement 25
- **Multiple-employer defined benefit plans that are not administered as qualifying trusts, or equivalent arrangements (par. 41)—p**
  - The plan should be classified as an agent multiple-employer plan and reported using an agency fund



# Stand-Alone Plan Reporting and Reporting of a Plan by an Employer or Plan Sponsor



- Statement 43 applies to “stand-alone” reporting by a state or local governmental entity that administers, or is trustee for, one of the preceding types of plans and issues a financial report on its stewardship of the plan assets
- It also applies when an employer or plan sponsor includes an OPEB plan as a trust or agency fund in the fiduciary funds financial statement section of its own report
  - In the latter case an employer or sponsor may be subject to the requirements of **both Statement 45** (as a contributor to the plan) **and Statement 43** (based on a determination pursuant to par. 19 of Statement 14 that the employer or sponsor has a fiduciary responsibility for the plan assets)



# Plan Financial Statements

- **Statement of plan net assets\***
- **Statement of changes in plan net assets\*\***
- Accrual basis (liabilities for benefits and refunds recognized when due)
- Investments at fair value in the financial statements (but at market-related value in actuarial valuations to calculate the UAAL and the ARC)

\* For plans reported as **agency funds**, assets equal liabilities (there are no plan net assets).

\*\* Does not apply to plans reported as **agency funds**.

# Required Supplementary Information (DB OPEB Plans Administered as a Qualifying Trust or Equivalent Arrangement)

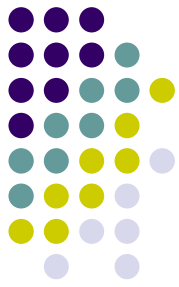


- **Schedule of funding progress** (the same as or similar to that required for sole and agent employers—at plan administrative level)
- **Schedule of employer contributions** (disclosing the ARC applicable to the plan's fiscal year and the % of the ARC recognized by the plan as additions from employer contributions)



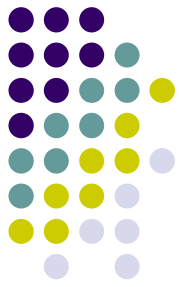
# Effective Dates

- **Staggered implementation** based on a government's phase for implementing GASB 34
- Because Hawaii was a Phase 1 government (more than \$100 million total revenue as defined in Statement 34):
  - **Statement 45** will be effective for the State's (the employer's) fiscal year ending June 30, 2008
  - **Statement 43** will be effective for EUTF's (the plan's) fiscal year ending June 30, 2007
- **Earlier implementation is encouraged**
- Employers may apply the measurement requirements of Statement 45 **prospectively**—that is, the State, for example, may report no beginning net OPEB obligation as of the beginning of the year in which it implements Statement 45



# **Toward Implementation of Statements 45 and 43**

# What Are the Applicable Financial Reporting Standards if the Entity that Administers the Plan Is or Is Not a Governmental Entity?



- **If plan is a governmental entity**— the plan should report in accordance with GASB standards (Statement 43 and others)
- **If the plan is not a governmental entity** (for example, a VEBA administered by a nongovernmental entity)—the plan should report in accordance with applicable AICPA or FASB standards

# What Will Be Required to Make Financial Reporting Work, if the Employer Comes Under GASB OPEB Standards, but the Plan Does Not?



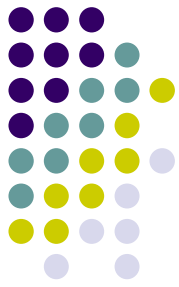
- Similar types of AVs and actuarial information may be needed for both sets of standards; however, some steps (for example, discounting projected benefits and application of an actuarial cost method) may need to be run more than one way so that:
  - The plan can satisfy AICPA/FASB plan standards
  - The employer can satisfy GASB employer standards
- To work, this type of situation will require:
  - **Ongoing coordination and cooperation** between the plan administrator and employer(s) with regard to AV scheduling and specifications and audits
  - **Full and timely sharing of information** (including financial information, substantive plan details, plan census information, and AV results) in the forms and at the times needed to comply with the respective financial reporting requirements

# How Would Employer Financial Reporting be Affected, if the Employer was Unable to Obtain Necessary Actuarial Information to Comply with GASB Statement 45?



- The employer's basic financial statements would necessarily be misstated for lack of information (OPEB expense and net OPEB obligation)
- The employer would be unable to make required note disclosures including information about funded status (UAAL), the ARC, components of annual OPEB cost, changes in the net OPEB obligation, and % of annual cost contributed
- The employer would be unable to present RSI (funding progress over time and notes on factors affecting the trend)
- The **auditor's opinion** on the financial statements would need to be qualified if the above were material, and the absence of RSI noted
- A modified auditor's opinion on a material matter would beg questions from **bond raters** and **investors**, could create a perception of increased credit risk and potentially result in a lowering of the employer's **bond rating**, and, if so, would increase the employer's **interest cost** if the employer issued bonds

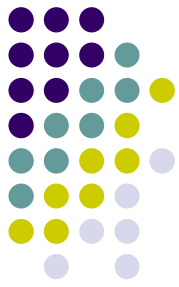




# In Conclusion, Just Measure

- A government's first actuarial valuation generally is a watershed event in terms of *measuring and understanding the financial implications* of its OPEB commitments
- In the end, the information required to be developed and reported by Statements 45 is intended to provide the State and Counties of Hawaii, the thousands of other state and local governments in the United States that offer OPEB, and the diverse users of their financial reports:
  - *More transparent financial accountability* for employers' costs and obligations associated with OPEB, particularly postemployment healthcare benefits
  - *More decision-useful financial information* to better inform discussion and decision-making about important matters including, for example, benefits and plan design, cost sharing between the employer and plan members, and the method of financing benefits

# Additional Guidance: OPEB Implementation Guide



- The **Guide to Implementation of GASB Statements 43 and 45 on Other Postemployment Benefits** (a GASB staff document classified as a level D source of GAAP), issued in July 2005, provides:
  - 258 questions and answers (including 212 on Statement 45 and 46 on Statement 43)
  - Standards sections, glossaries, and illustrations from the Statements
  - Additional illustrations related to the alternative measurement method
- Ordering information is provided on the GASB website, [www.gasb.org](http://www.gasb.org)



## Questions for GASB?

Telephone—(203) 847-0700

General information and technical inquiry system on the GASB web site—[www.gasb.org](http://www.gasb.org)